

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type [ ] City [ ] Township [ ] Village [ x ] Other		Local Government Name Lenawee County Building Authority		County Lenawee	
Audit Date 12/31/04		Opinion Date 3/11/05		Date Accountant Report Submitted to State: 5/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

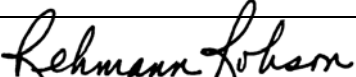
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |     |     |       |    |    |  |
|-----|-----|-------|----|----|--|
| [ ] | Yes | [ x ] | No | 1. | Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| [ ] | Yes | [ x ] | No | 2. | There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| [ ] | Yes | [ x ] | No | 3. | There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| [ ] | Yes | [ x ] | No | 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| [ ] | Yes | [ x ] | No | 5. | The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| [ ] | Yes | [ x ] | No | 6. | The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| [ ] | Yes | [ x ] | No | 7. | The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [ ] | Yes | [ x ] | No | 8. | The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| [ ] | Yes | [ x ] | No | 9. | The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

**LENAWEE COUNTY  
BUILDING AUTHORITY**

**Lenawee County, Michigan**

**FINANCIAL STATEMENTS**

**For The Year Ended  
December 31, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# LENAWEE COUNTY BUILDING AUTHORITY

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



## **INDEPENDENT AUDITORS' REPORT**

March 11, 2005

Commission Members  
Lenawee County Building Authority  
Adrian, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of **LENAWEE COUNTY BUILDING AUTHORITY** (a Michigan Corporation and Authority and a component unit of the County of Lenawee) as of and for the year ended December 31, 2004, which collectively comprise the Building Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Building Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Lenawee County Building Authority at December 31, 2004, and the respective changes in financial position and cash flows where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Lenawee County Building Authority has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

# LENAWEE COUNTY BUILDING AUTHORITY

## Statement of Net Assets

December 31, 2004

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,243,501	\$ 1,165,507	\$ 3,409,008
Receivables	10,887	1,299	12,186
Net investment in direct financing lease	-	1,374,319	1,374,319
Other assets	-	174,212	174,212
Capital assets not being depreciated	10,213,273	75,000	10,288,273
Capital assets being depreciated, net	-	5,408,959	5,408,959
<b>Total assets</b>	<u>12,467,661</u>	<u>8,199,296</u>	<u>20,666,957</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	522,566	23,464	546,030
Deferred revenue	-	471,335	471,335
Noncurrent liabilities:			
Due within one year	325,000	815,000	1,140,000
Due in more than one year	<u>5,380,000</u>	<u>4,190,000</u>	<u>9,570,000</u>
<b>Total liabilities</b>	<u>6,227,566</u>	<u>5,499,799</u>	<u>11,727,365</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,686,315	2,188,959	6,875,274
Restricted for:			
Debt service	1,553,780	-	1,553,780
Unrestricted	<u>-</u>	<u>510,538</u>	<u>510,538</u>
<b>Total net assets</b>	<u>\$ 6,240,095</u>	<u>\$ 2,699,497</u>	<u>\$ 8,939,592</u>

The accompanying notes are an integral part of these financial statements.

# LENAWEE COUNTY BUILDING AUTHORITY

## Statement of Activities

For the Year Ended December 31, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
Public safety	\$ 2	\$ 305,165	\$ 1,853,817	\$ -	\$ 2,158,980
Interest on bonds	183,155	-	-	-	(183,155)
Total governmental activities	183,157	305,165	1,853,817	-	1,975,825
Business-type activities:					
Human Services Building Operations	912,382	1,372,450	-	-	460,068
Total primary government	<u>\$ 1,095,539</u>	<u>\$ 1,677,615</u>	<u>\$ 1,853,817</u>	<u>\$ -</u>	<u>\$ 2,435,893</u>

continued...

**LENAWEE COUNTY BUILDING AUTHORITY**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2004**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ 1,975,825	\$ 460,068	\$ 2,435,893
General revenues:			
Unrestricted investment earnings	55,952	9,660	65,612
Change in net assets	2,031,777	469,728	2,501,505
Net assets, beginning of year, as restated	4,208,318	2,229,769	6,438,087
<b>Net assets, end of year</b>	<b>\$ 6,240,095</b>	<b>\$ 2,699,497</b>	<b>\$ 8,939,592</b>

The accompanying notes are an integral part of these financial statements.

# LENAWEE COUNTY BUILDING AUTHORITY

## Balance Sheet Governmental Funds December 31, 2004

	Debt Service- Jail	Capital Projects- Jail	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,572,745	\$ 670,756	\$ 2,243,501
Accounts receivable - general	10,887	-	10,887
	<hr/>		
<b><u>TOTAL ASSETS</u></b>	<b>\$ 1,583,632</b>	<b>\$ 670,756</b>	<b>\$ 2,254,388</b>
<hr/>			
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts and contracts payable	\$ -	\$ 492,714	\$ 492,714
<b>Fund balances</b>			
Unreserved - undesignated	1,583,632	178,042	1,761,674
	<hr/>		
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 1,583,632</b>	<b>\$ 670,756</b>	<b>\$ 2,254,388</b>
<hr/>			

The accompanying notes are an integral part of these financial statements.



**LENAWEE COUNTY BUILDING AUTHORITY**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**December 31, 2004**

Fund balances - total governmental funds	\$ 1,761,674
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets not being depreciated	10,213,273
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds payable	(5,705,000)
Deduct - accrued interest on long-term liabilities	<u>(29,852)</u>
Net assets of governmental activities	<u><u>\$ 6,240,095</u></u>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY BUILDING AUTHORITY**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2004**

	<b>Debt Service- Jail</b>	<b>Capital Projects- Jail</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>			
Charges for services	\$ 305,165	\$ -	\$ 305,165
Interest revenue	2,943	53,009	55,952
Total revenue	308,108	53,009	361,117
<b>Expenditures</b>			
Current:			
Public safety	-	5,933,390	5,933,390
Debt service:			
Principal	325,000	-	325,000
Interest and fiscal charges	184,255	-	184,255
Total expenditures	509,255	5,933,390	6,442,645
Revenue over (under) expenditures	(201,147)	(5,880,381)	(6,081,528)
<b>Other financing sources</b>			
Transfers from other funds of Lenawee County	1,463,217	390,600	1,853,817
Net change in fund balances	1,262,070	(5,489,781)	(4,227,711)
Fund balance, beginning of year, as restated	321,562	5,667,823	5,989,385
<b>Fund balance, end of year</b>	<b>\$ 1,583,632</b>	<b>\$ 178,042</b>	<b>\$ 1,761,674</b>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY BUILDING AUTHORITY**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2004**

Net change in fund balances - total governmental funds	\$ (4,227,711)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	5,933,388
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on bonds payable	325,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	1,100
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">\$ 2,031,777</div>
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The accompanying notes are an integral part of these financial statements.

# LENAWEE COUNTY BUILDING AUTHORITY

## Statement of Net Assets

### Proprietary Funds

December 31, 2004

	Human Services Building	Medical Care Facility	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,129,826	\$ 35,681	\$ 1,165,507
Accounts receivable	1,299	-	1,299
Current portion of net investment in direct financing lease	-	125,000	125,000
Total current assets	1,131,125	160,681	1,291,806
<b>Noncurrent assets</b>			
Net investment in direct financing lease, net of current portion	-	1,249,319	1,249,319
Deferred cost on bond reissue, net of amortization	174,212	-	174,212
Capital assets, net of accumulated depreciation	5,483,959	-	5,483,959
Total noncurrent assets	5,658,171	1,249,319	6,907,490
Total assets	6,789,296	1,410,000	8,199,296
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	3,077	-	3,077
Accrued wages and benefits	6,413	-	6,413
Accrued interest payable	13,974	-	13,974
Deferred revenue	471,335	-	471,335
Current portion of due to Lenawee County	50,000	-	50,000
Current portion of bonds payable	640,000	125,000	765,000
Total current liabilities	1,184,799	125,000	1,309,799
<b>Long-term debt</b>			
Bonds payable, net of current portion	2,655,000	1,285,000	3,940,000
Due to Lenawee County, net of current portion	250,000	-	250,000
Total long-term debt	2,905,000	1,285,000	4,190,000
Total liabilities	4,089,799	1,410,000	5,499,799
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,188,959	-	2,188,959
Unrestricted	510,538	-	510,538
Total net assets	\$ 2,699,497	\$ -	\$ 2,699,497

The accompanying notes are an integral part of these financial statements.

# LENAWEE COUNTY BUILDING AUTHORITY

## Statement of Revenue, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2004

	Human Services Building	Medical Care Facility	Total
<b>Operating revenue</b>			
Charges for services	\$ 4,883	\$ -	\$ 4,883
Rental income	1,362,654	-	1,362,654
Vending and other income	4,913	-	4,913
Total operating revenue	1,372,450	-	1,372,450
<b>Operating expenses</b>			
Personal services costs	307,046	-	307,046
Supplies and other operating expenses	168,961	-	168,961
Other contractual services	64,875	-	64,875
Administrative costs	27	-	27
Depreciation expense	153,968	-	153,968
Total operating expenses	694,877	-	694,877
Operating income	677,573	-	677,573
<b>Non-operating revenue (expenses)</b>			
Interest income	9,660	-	9,660
Interest expense	(130,261)	-	(130,261)
Total non-operating revenue (expenses)	(120,601)	-	(120,601)
Income before transfers	556,972	-	556,972
Transfers to other funds of Lenawee County	(87,244)	-	(87,244)
Change in net assets	469,728	-	469,728
Net assets, beginning of year, as restated	2,229,769	-	2,229,769
<b>Net assets, end of year</b>	<u>\$ 2,699,497</u>	<u>\$ -</u>	<u>\$ 2,699,497</u>

The accompanying notes are an integral part of these financial statements.

# LENAWEE COUNTY BUILDING AUTHORITY

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2004

	Human Services Building	Medical Care Facility	Total
<b>Cash flows from operating activities</b>			
Cash received from users	\$ 1,288,827	\$ -	\$ 1,288,827
Other operating receipts	4,913	-	4,913
Cash paid to employees and suppliers	(602,222)	-	(602,222)
Payments for interfund services used	(50,000)	-	(50,000)
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	691,518	-	691,518
	<hr/>	<hr/>	<hr/>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from long-term debt	-	1,410,000	1,410,000
Net transfers to Medical Care Facility	-	(1,374,319)	(1,374,319)
Principal payments on long-term debt	(620,000)	-	(620,000)
Interest payments on long-term debt	(81,444)	-	(81,444)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) capital and related financing activities	(701,444)	35,681	(665,763)
	<hr/>	<hr/>	<hr/>
<b>Cash flows from non-capital financing activities</b>			
Transfers to other funds of Lenawee County	(87,244)	-	(87,244)
	<hr/>	<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest income received	9,660	-	9,660
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(87,510)	35,681	(51,829)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	1,217,336	-	1,217,336
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,129,826</u>	<u>\$ 35,681</u>	<u>\$ 1,165,507</u>

**LENAWEE COUNTY BUILDING AUTHORITY**  
**Combining Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	<b>Human Services Building</b>	<b>Medical Care Facility</b>	<b>Total</b>
<hr/>			
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 677,573	\$ -	\$ 677,573
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	153,968	-	153,968
(Increase) decrease in:			
Accounts receivable	(330)	-	(330)
Increase (decrease) in:			
Accounts payable	(14,346)	-	(14,346)
Accrued wages and benefits	3,033	-	3,033
Deferred revenue	(78,380)	-	(78,380)
Due to Lenawee County	(50,000)	-	(50,000)
	<hr/>		
Net cash provided by operating activities	<u>\$ 691,518</u>	<u>\$ -</u>	<u>\$ 691,518</u>

The accompanying notes are an integral part of these financial statements.

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Lenawee County Building Authority (“Authority”) was created in October, 1987, pursuant to the provisions of Act 31, extra session of 1948, of the Public Acts of Michigan. The Authority has no stockholders, and all monies received are designated for the costs of designing, constructing, equipping and operating a new Human Services Building and other facilities as needed, to be used by certain County Departments, State Agencies, and Federal Departments, in accordance with the agreement between the incorporating County of Lenawee (“County”), the Authority, and its bondholders.

In 2001, the Authority approved entering into a contract with the County to provide for the costs of constructing and equipping a new jail facility. The Authority issued bonds in 2002 to supplement local contributions to this project.

In 2004, the Authority approved entering into a contract with the County to refinance debt of the Medical Care Facility for prior improvements. The Authority issued bonds in 2004.

The Authority is a component unit of the County of Lenawee. The Authority is considered to be a component unit of the County because the County appoints the majority of the Authority Board members and has the ability to significantly influence operations.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.



# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

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Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Authority reports the following major governmental funds:

The *jail debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt issued for the construction of the jail.

The *jail capital projects fund* accounts for the construction of the new jail.

The Authority reports the following major proprietary funds:

The *human services building fund* accounts for the construction, operation, maintenance, and financing of the human services building.

The *medical care facility fund* accounts for the financing of the medical care facility building.

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Human Services Building are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities and Net Assets or Equity**

#### **1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments are stated at fair value.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

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### 2. Capital Assets

Capital assets, which include property and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight-line method over the useful life of the assets as follows:

Buildings and improvements	50 - 55 years
Equipment (computer, office and vehicles)	3 - 10 years

### 3. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

### II. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

At December 31, 2004, the Authority's cash and cash equivalents consisted of the following:

	<u>Book</u>	<u>Bank</u>
<u>Deposits</u>		
Checking and savings accounts	\$ 543,740	\$ 511,636
Certificates of deposits	1,735,442	1,735,442
Equity in pooled checking account	<u>232,056</u>	N/A
<b>Total deposits</b>	<b>2,511,238</b>	
<u>Investment</u>		
MBIA government liquid asset fund	<u>897,770</u>	897,770
	<b><u>\$ 3,409,008</u></b>	

The Authority maintains \$2,511,238 in checking, savings and CD accounts at banks which are under custody of the County Treasurer. It is not practical to determine the insured portion of these balances since they are included in the pooled and other cash accounts of Lenawee County.

As of December 31, 2004, the Authority through the County Treasurer has investments that consist of a governmental liquid asset fund. These investments are subject to the following risk categories as summarized in the following table:

- Category 1** Investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name.
- Category 2** Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name.
- Category 3** Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Authority's name.

The Authority's investments, which consist entirely of governmental liquid asset investment funds, are uncategorized as to risk.

The carrying/fair value of the Authority's investments as of December 31, 2004, was \$897,770.

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

### B. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,279,885	\$ 5,933,388	\$ -	\$ 10,213,273
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets, being depreciated:				
Buildings and improvements	7,603,554	-	-	7,603,554
Less accumulated depreciation for:				
Buildings and improvements	2,040,627	153,968	-	2,194,595
Total capital assets, being depreciated, net	5,562,927	(153,968)	-	5,408,959
<b>Business-type activities capital assets, net</b>	<b>\$ 5,637,927</b>	<b>\$ (153,968)</b>	<b>\$ -</b>	<b>\$ 5,483,959</b>

### C. Payables

Accounts payable and accrued liabilities in the governmental activities are as follows:

Trade accounts payable	\$ 492,714
Accrued interest payable	29,852
	<u>\$ 522,566</u>

Accounts payable and accrued liabilities in the business-type activities are as follows:

Trade accounts payable	\$ 3,077
Wages, fringe benefits and other accrued liabilities	6,413
Accrued interest payable	13,974
	<u>\$ 23,464</u>

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

### D. Long-term Debt

The Authority issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

Authority long-term debt activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Building Authority Limited Tax Full Faith and Credit General Obligation Bonds of \$6,030,000 due in varying annual installments of \$325,000 to \$530,000 at interest rates of 2.1% to 3.9%.	<u>\$ 6,030,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 5,705,000</u>	<u>\$ 325,000</u>
<b>Business-type activities:</b>					
Building Authority Limited Tax Full Faith and Credit General Obligation Bonds of \$1,410,000, due in varying installments of \$125,000 to \$165,000 plus interest rates of 2.0% to 3.5%, through 2014.	\$ -	\$1,410,000	\$ -	\$ 1,410,000	\$ 125,000
Building Authority Limited Tax Full Faith and Credit Refunding General Obligation Bonds of \$4,525,000, due in varying installments of \$610,000 to \$680,000 plus interest rates of 2.0% to 3.1%, due 5/01/09.	<u>3,915,000</u>	<u>-</u>	<u>620,000</u>	<u>3,295,000</u>	<u>640,000</u>
Total bonds	3,915,000	1,410,000	620,000	4,705,000	765,000
Loans Payable to Lenawee County Delinquent Tax Revolving Fund	<u>350,000</u>	<u>-</u>	<u>50,000</u>	<u>300,000</u>	<u>50,000</u>
<b>Total long-term debt</b>	<u><b>\$ 4,265,000</b></u>	<u><b>\$1,410,000</b></u>	<u><b>\$ 670,000</b></u>	<u><b>\$ 5,005,000</b></u>	<u><b>\$ 815,000</b></u>

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

On September 1, 2002, the County issued \$4,525,000 in Limited Tax Full Faith and Credit General Obligation Refunding Bonds with an average rate of 2.6% to advance refund \$4,260,000 of outstanding 1993 Series Limited Tax Full Faith and Credit General Obligation Bonds with an average interest rate of 5.6%. As a result, the \$4,260,000 remaining 1993 Series bonds are considered to be defeased and the liability for these bonds has been removed from the Building Authority Fund. The balance of the defeased bonds outstanding was \$3,740,000 at December 31, 2004. This transaction resulted in a deferred cost on refunded bonds, where the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the new debt (through 4/30/09).

The annual requirements to amortize the general obligation bonds as of December 31, 2004, are as follows:

### **Governmental Activities**

<b><u>Year Ending December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2005	\$ 325,000	\$ 177,429
2006	325,000	170,442
2007	350,000	162,836
2008	350,000	154,261
2009	375,000	144,548
2010-2014	2,025,000	536,587
2015-2018	<u>1,955,000</u>	<u>152,308</u>
	<b><u>\$ 5,705,000</u></b>	<b><u>\$ 1,498,411</u></b>

### **Business-type Activities**

<b><u>Year Ending December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2005	\$ 765,000	\$ 119,607
2006	765,000	100,233
2007	785,000	81,805
2008	810,000	60,513
2009	815,000	36,801
2010-2014	<u>765,000</u>	<u>65,772</u>
	<b><u>\$ 4,705,000</u></b>	<b><u>\$ 464,731</u></b>

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

The Authority has borrowed \$1,000,000 from the Lenawee County Delinquent Tax Revolving Funds. Under a revised plan which became effective for the year ended December 31, 1990 and continues annually each year thereafter, principal of \$50,000 per year is to be repaid through December 31, 2009, and a provision is made to repay to the County 75% of total annual interest earnings on investments in the Bond and Interest account (restricted cash and cash equivalents) each year, as interest expense.

Principal payments remaining under this obligation are as follows:

<b><u>Maturing December 31,</u></b>	<b><u>Principal Amount</u></b>
2005	\$ 50,000
2006	50,000
2007	50,000
2008	50,000
2009	<u>100,000</u>
<b>Total</b>	<b><u>\$ 300,000</u></b>

### **D. Net Investment in Direct Financing Lease (Capital Lease)**

During the year ended December 31, 2004, the Building Authority issued general obligation bonds to pay-off amounts owed by the County Medical Care Facility to the Delinquent Tax Revolving Fund. Under a lease agreement, the County Medical Care Facility has agreed to pay the Authority periodic cash rental amounts sufficient to enable the Authority to pay the principal and interest on the bonds. Such rentals are pledged exclusively for payment of principal and interest on the revenue bonds, and cease after all revenue bonds have been retired. The County has pledged its full faith and credit for the payment of the cash rentals as additional security.

The long-term lease has been accounted for as a direct financing lease in accordance with Statement of Financial Accounting No. 13, "Accounting for Leases". The future minimum lease rentals receivable are sufficient to repay the revenue bonds and interest.



# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

The Authority's net investment in direct financing lease consists of:

Net investment in capitalized lease	\$ 1,374,319
Less: Current portion of net investment in capitalized lease	<u>125,000</u>
	<b><u>\$ 1,249,319</u></b>

The future minimum lease rentals receivable represent amounts due for repayments on the bonds for the Medical Care Facility less any cash remaining in the Building Authority to repay the debt.

### III. OTHER INFORMATION

Fund balances/net assets as of January 1, 2004, were restated as follows:

	<b>Debt Service- Jail</b>	<b>Capital Projects- Jail</b>
<b><u>Governmental Funds:</u></b>		
Fund balances, January 1, 2004, as previously reported	\$ -	\$ -
Reclassification of equity balances from Enterprise Fund activities to Debt Service and Capital Projects (modified accrual)	<u>321,562</u>	<u>5,667,823</u>
<b>Fund balances, January 1, 2004, as restated</b>	<b><u>\$ 5,667,823</u></b>	<b><u>\$ 3,491,572</u></b>
		<b>Human Services Building</b>
<b><u>Enterprise Funds:</u></b>		
Net assets, January 1, 2004, as previously reported		\$ 4,715,160
Reclassification of equity balances from Enterprise Fund activities to Debt Service, Capital Projects, and governmental activities		(4,208,318)
Decrease to eliminate net investment in direct financing lease		(3,915,000)
Increase to properly recognize capital assets for the Human Services Building previously recognized in County governmental activities		<u>5,637,927</u>
<b>Net assets, January 1, 2004, as restated</b>		<b><u>\$ 2,229,769</u></b>

# LENAWEE COUNTY BUILDING AUTHORITY

## Notes To Financial Statements

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	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>
Net assets, January 1, 2004, as previously reported	\$ -	\$ 4,715,160
Reclassification of equity balances from Enterprise Fund activities to Debt Service and Capital Projects	5,989,385	(5,989,385)
Reclassification of full-accrual assets and liabilities from business-type to governmental activities	(1,781,067)	1,781,067
Decrease to eliminate net investment in direct financing lease	-	(3,915,000)
Increase to properly recognize capital assets for the Human Services Building previously recognized in governmental activities	-	5,637,927
	<hr/>	<hr/>
<b>Net assets, January 1, 2004, as restated</b>	<b><u>\$ 4,208,318</u></b>	<b><u>\$ 2,229,769</u></b>

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